

PLANNING FOR HOMEOWNERSHIP WITH IDAs

1. Know your Supply and Demand

A. Average Purchase Prices of affordable housing stock

1. *New Homes – probably more expensive, better quality, warranties*
2. *Existing Homes- probably less expensive, lower quality, LBP issues*

B. What can our IDA participants afford, what do they want?

1. *Condo, town homes, single-family*
2. *Location, Location, Location*
3. *Revitalization Areas or the Participant Picks*
4. *Loan Prequalification (how much first mortgage \$)*

2. Identification of and Association with Partners :A Shared Mission

A. Private Sector: Realtors, Lenders, Builders

1. *Lender Certification: Preferred Lenders*
2. *Realtor Certification: Preferred Realtors*

B. Public Sector : Governments, Non-profits

1. *Local CDBG, HOME,*
2. *State Housing Finance Agencies*
3. *USDA Rural Development*
4. *Habitat, CDCs, Churches, etc.*
5. *Private Foundations, United Way*

The Home Ownership IDA Process: **THE NEW CENTURY WAY**

1. RECRUITMENT OF POTENTIAL PARTICIPANTS:

A. Recruitment: (somewhat ineffective)

1. *Medium: Newspapers, brochures, billboards, seminars, radio,*
2. *Libraries, public housing, churches, festivals, schools, businesses*

B. Recruitment (Very Effective)

1. *Word of Mouth*
2. *Success Stories and testimonies*
3. *The Snowball effects of Success*

2. SCREENING OF APPLICANTS: A MUST!

A. Waste of Time & Resources for both Participants & Agency
if they cannot qualify for considerable 1st mortgage in 2 years.

B. Use of Spreadsheet that looks at:

1. *Persons in HH*
2. *Income of Household*
3. *Current Debt of Household*
4. *Current Income to Debt Ratio*
5. *Amount of Bad Debt to be paid off*
6. *Current Debt and Bad Debt to Income Ratio*
7. *Aging of the debt (how long to pay off)*
8. *How much mortgage they could now qualify for if credit is good.*

C. Application Process:

1. Applications can be filled out on internet or upon visit at many sites, but all applications are submitted to Experiment in Self Reliance (ESR)
2. Require applicants to submit current credit report with application. ESR can pull credit reports for clients for a small fee.
3. IDA staff logs information into spreadsheet as applications are received
4. Applications are split up and disbursed to IDA staff to make review
5. Screening Committee meets and discusses each application and makes decision to accept or deny application.
6. Screen average of 80 applications every 3 months and accept average of 40 into the program for each wave. Have 4 waves each year.

D. Orientation and Economic Literacy:

1. Accepted Participants meet one on one with Success Coach and develop an **Action Plan** that informs the client where they are now, and what they have to do to get to their desired goal. Pay off debt, increase income, pay off collections and judgments and save at least \$1,000 within 20 months. This is a very detailed action plan.
2. Sign IDA contract
3. Attend 11 sessions of Economic Literacy. Two hour sessions, held every 3 weeks with home work assignments.
4. Economic Literacy focuses greatly on tracking revenue and expenditures and budgeting.
5. Required to meet with Success Coach twice a month

E. Home Ownership Training:

1. *Eight hour homeownership training class must be completed. The Class is held by the Center for Homeownership a subsidiary of Consumer Credit Counseling.*
2. *All aspects of the real estate purchase procedures are taught.*
 - a. Mortgage Qualifying
 - b. Selecting a Realtor and Lender (we require buyer agency)
 - c. The offer to purchase
 - d. The inspection of the home (we require professional inspection of all existing homes).
 - f. The Closing process, whom does what?
 - g. Maintenance of the home.
 - h. What to do if you lose your job and cannot make payments.

F. The Search for the Home and the Closing

1. *Upon completion of the economic literacy, homeownership training and the saving of \$1,000 the client is directed to meet with the staff from Forsyth County Department of Housing.*
2. *We review the gap between the mortgage amount and the cost of the home to determine what subsidies for which they may qualify.*
3. *Housing staff has the first mortgage loan officer send their loan package to the County and the County determines all the sources and the uses of the subsidized loans.*
4. *County provides 2nd or 3rd mortgage funds in the form of deferred 30 year loans with no interest and no payments until the 30th year.*

G. The New Century IDA program has access to the following funds:

1. Grant funds with no payback

a. AFIA matched with City of Winston-Salem funds

4 to 1 match \$4,000 to \$1,000 grants with no paybacks

b. NC Dept. of Labor AFIA matched with County funds:

2 to 1 match \$2,000 to \$1,000 grants with no paybacks

c. TANF funds from State of NC

4 to 1 match \$4,000 to 1,000 grants with no paybacks

d. Local TANF funds from Forsyth County DSS

2 to 1 match \$2,000 to \$1,000

2. Soft 2nd mortgages with no payments and no interest for 30 years.

a. City of Winston-Salem down payment assistance programs

\$2,000 to \$8,000 down payment for new and existing homes

b. Forsyth County

\$3,000 to \$10,000 down payment assistance for existing homes

\$3,000 to \$20,000 down payment for new homes

3. Other Favorable Financing:

a. USDA Rural Development 502 Loans, subsidies down to 1% interest rate, loan terms up to 35 years.

b. North Carolina Housing Finance Agency single family bond first mortgage program. Interest rate usually between 1% to 1.5% below market rates with a 30 year mortgage.

- c. Section 8 Housing Certificate— uses section 8 rental payments towards the mortgage payment. May have a traditional 1st mortgage and the client can use the monthly rent from Section to amortize a second mortgage for a 15 year period.*
- d. Family Self Sufficiency – public housing or section 8 families save money, over a period of time, that can be used as down payment assistance*

4. Layered Financing:

- a. Some funds can be mixed and matched with others although several of the programs cannot be used together. Clients can receive only one source of AFIA funds but they can be used with TANF and second mortgage products. The goal is to provide only the assistance needed to help a family purchase a modest first home.*

FOR MORE INFORMATION YOU MAY CONTACT:

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